"Making work pay": from justifications to implementations

Bernard Gazier, Hélène Zajdela

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Bernard GAZIER

Hélène ZAJDELA

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“Making work pay”: from justifications to implementations

Bernard Gazier[*] et Hélène Zajdela[**]
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Abstract

The aim of this paper is to discuss the relevance of “making work pay” policies from within. We first discuss the various justifications of the motto and then connect them to the existing variety of implementation experiences in Europe.

We compare the classical organization of arguments behind the motto “making work pay” to an hourglass, the diversity of national institutions regarding work and social protection being one of its top parts; work incentives constitute the narrow part; lastly, the variety of implementations corresponds to its other wide end. We show that this unifying reasoning is not relevant and propose a model which corresponds to a more complex logic: the diversity of national institutions and implementations being matched by a set of different and conflicting objectives regarding work, whose dynamic dimension is gaining more and more importance. The policy debate should then be summed up by another motto: “Making *transitions* pay”.

Keywords: social protection; labour market policies; work incentives.
JEL Codes: J2, J38, I3.

Résumé

L’objectif de cet article est d’analyser la pertinence des politiques de *Making Work Pay*. Nous étudierons d’abord la variété des justifications de ces politiques afin de les relier ensuite à la variété de leurs mises en œuvre dans les pays européens.

Nous comparons la structure des arguments habituels des politiques de *Making Work Pay* à un sablier. La diversité des institutions concernant l’emploi et la protection sociale en constituerait la partie supérieure ; les politiques d’incitation, la partie étroite ; enfin la variété de ses mises en œuvre en serait la base. Nous montrons que ce raisonnement unifié n’est pas pertinent et proposons un modèle dont la logique est plus complexe : un ensemble d’objectifs différents et parfois contradictoires concernant le travail, dont la dimension dynamique devient de plus en plus importante, permet d’articuler la diversité des mises en oeuvre des politiques aux différentes institutions nationales. Le slogan pertinent dans le débat de politique économique devrait plutôt être : Making *transitions* pay.

Mots clés : protection sociale, politique de l’emploi ; incitations au travail.
Classification JEL : J2, J38, I3.

[*] Université Paris 1- CES-MATISSE **;** bernard.gazier@univ-paris1.fr
[**] Université Paris 13- CEPN et CEE; helene.zajdela@cee.enpc.fr

Introduction

The motto "making work pay" has been developed at least since the eighties by the OECD as an essential part of a proposed reform of national employment strategies. In 2003,it became an explicit and important part of the European Employment Strategy (EES)[1]. It clearly corresponds to a priority given to the supply side of the labour market and to reinforcing the incentives to work in existing welfare systems. However, its concrete meanings remain quite variable from one country to another and even from a region or local area to another. Typically, some implementations only put the emphasis on sanctions, financial incentives, while others cover a much broader set of interventions and priorities, including health, childcare, regional and occupational mobility and so on.

This variety is in sharp contrast to the explicit setting of one single intermediate target: getting a paid job should always be preferable to any kind of welfare or social protection programme, the ultimate objective being the autonomy of individuals and families through paid work.

One cannot but agree on the ultimate objective of autonomy, but one may wonder about the means to achieve it. If the poor and low-skilled unemployed are pushed or constrained to take dead-end, or badly-paid and even dangerous jobs because policymakers decided to lower the level of benefits, if a parent has to rear young children or to take care of dependent persons but cannot do so properly, then this state of affairs can barely be presented as fostering autonomy. So, what is lacking here is a richer and more dynamic concern, which is the focus of the Transitional Labour Market approach (Schmid and Gazier, 2002; Gazier, 2003): the management of transitions over a whole lifetime, which takes into account a variety of positions, demands and contributions. In a nutshell, "Transitional Labour Markets" as the systematic and negotiated management of transitions lead to emphasizing the quality of transitions, and to proposing another motto: "making *transitions* pay".

However, one may consider that both approaches are more complements than substitutes. In the first case, the transition analysis is simply a way to enrich the main line or argument in favour of an overall back-to-work policy, with additional considerations. In the second, more ambitious changes are needed in order to formulate a stable and well-grounded policy prescription. This paper argues in favour of the second hypothesis, by presenting a critical and internal analysis of the motto "making work pay".

The way chosen in this institutional / theoretical contribution is to discuss the various justifications that have been presented for the motto, and to connect them to the existing variety of implementation experiences in Europe and some other developed countries. The apparent evidence we have to discuss may be compared to an *hourglass structure*. Various national and local situations, stemming from different social protection systems and different labour market functioning constitute the wide, upper end of the hourglass. Then a global and simple argument in favour of "making work pay" is presented and corresponds to the thin waist of the hourglass. Lastly, various ways and means allow implementing the policy according to the variety of national and local contexts: we arrive at the other wide end of the hourglass. This management of the complexity of real situations and policies no longer holds if we can show that in the hourglass the waist is not thin but thick. The policy option is

[1] Commission of the European Communities, 2003a

complex in itself.

We shall start by synthesizing and discussing the theoretical justifications of the motto, and identifying at least two different ethical priorities behind it: the first is a moral justification of pushing people into work, in a context of mature and controversial welfare systems; the second bears on the intrinsic desirability of work, associated with self-realization and autonomy. This makes us understand the paradox of developing groups of “working poor” as an unavoidable by-product, in situations where it is proven difficult to push poor people towards normally paid work.

The second part of the contribution will be devoted to an analysis of the heterogeneities of existing policies inspired by “making work pay”. We will consider international and intra-national heterogeneity (the last being reinforced by the trends towards decentralization and partnerships), the implementation modalities depending on historical contingencies and various sets of institutions. We shall interpret some important heterogeneities by connecting them to the various justifications set out in the first part of the contribution. The conclusion will go back to our initial question, and emphasize the need for explicitly taking into account the variety of transitions and of intermediate “transitional” objectives in order to enhance the autonomy of the less advantaged.

Section 1 “Making work pay”: a common framework rather than a common policy

The theoretical justification of the motto "*making work pay*" seems very simple. The usual arguments (1-1) based on the risk of disincentives to work are very convincing: why could social benefits recipients be willing to work if they didn't obtain financial rewards from working? In fact, the “*making work pay”* policies lie upon the Anglo-Saxon model of employment and social policy and its extension to other models tends to confirm the emergence of a “common cognitive framework” generated by the EES (1-2). Anyway, the desirability of working also depends on other considerations than financial ones and this leads to questioning the very notion of "inactivity traps" (1.3). Then it becomes necessary to introduce some basic heterogeneity of justifications to "making work" policies correlated to the variety of collective preferences regarding work (1-4).

1-1. The usual arguments

It has been very difficult to implement a social policy at the European level. For a long time a dualism between economic and social fields prevailed in Europe, the first one concerning the European level and the second one exclusively the national one. With the setting up of the European Employment Strategy (EES) at the Luxembourg summit in 1997 and its confirmation at the Lisbon summit in 2000, employment policy really became a policy area of the European Union.

Of course, social policies remain contingent with the constraints imposed by the Broad Economic Policy Guidelines (BEPG), the recommendations from the Council to the member states are not binding, and the principle of subsidiarity does prevail. Nevertheless, the EES, the extension of the Open Method of Coordination (OMC) to the social field and the annual

National Action Plans (NAPs) at least show a desire for consistency in European social policies, and even, in some extent, a desire for convergence[2].

Although the national social policies remain differentiated, the EES has produced a "common cognitive framework" at the European level (see for example Palier, 2001 and Erhel and Palier, 2005). In this perspective, and in spite of the diversity of the national positions, one can notice that a kind of consensus has emerged among European government circles about the nature and causes of European unemployment. It considers that unemployment is the result of two labour market failures: on the demand side, labour market "rigidities" (mainly, inflexible wages) and, on the supply side, the potentially distorting effects of social protection on the functioning of the labour market. This interpretation has been laid out by OECD and EU Commission reports in which prescriptions are twofold: restoring labour market flexibility and activation employment policies.

Since 2003, the motto Making Work Pay has appeared explicitly in the guidelines of the European Employment Strategy. But this new focusing towards labour supply oriented policies has been done gradually, starting from the middle of the nineties. It corresponds to a very restrictive design of activation. As Barbier (2002) explains it, this polysemous concept paradoxically[3] finds its origin in the "active policies of the labour market" implemented in Sweden during the 50s. Thereafter, from the end of the 80s, OECD used a different version of these policies by reducing them to "activation of passive expenditures" (OECD, 1990), which means reforming insurance based measures (typically unemployment insurance). Those policies were already justified by the risks of work disincentives that unemployment benefits are supposed to generate.

Then, since 1997, with the publication of the OECD report of the same name, the concept of activation has been more reduced, to some extent, the "Making Work Pay" consists in "activating" individuals themselves (cf. Elbaum, 2005). The same year, during the Luxembourg summit, the employment policy target retained by the Member States became the rate of employment instead of the rate of unemployment. Beyond the statistical argument (the first is more reliable regarding measurement), this change is not neutral: behind it, appears a new concept, the non-employment, which puts unemployment and inactivity at the same level. By focusing on labour supply, this implicitly corresponds to an approach in terms of voluntary unemployment.

The *making work pay* program is the “liberal” (in the sense of Esping-Andersen typology) version of activation. It aims at providing financial incentives to take up paid work. From an economic point of view, there is a trade-off between a high level of social protection and the necessity to maintain work incentives. Social policies, when too generous, are suspected to prevent the unemployed and inactive people from searching for a job (and from accepting it). These problems are usually described as "traps". Different traps are associated to different transitions: inactivity traps (from social security to employment), unemployment traps (from unemployment benefits to employment) and poverty traps (from part-time jobs to full-time jobs). Fighting one of these traps may increase another one, that is why reforming the tax and benefits system is not an easy matter.

The existence of "traps" means a work incentive problem. It is based on the standard

[2] See Gazier and Lechevalier ,2006.

[3] In the sense that activation, which corresponds now also to a liberal labour supply oriented scheme, has "a social democratic and Keynesian origin" (Barbier, 2002, p. 311)

economic approach to labour supply: individuals are supposed to choose rationally between work and leisure, by comparing their levels of satisfaction in these two situations. According to this approach, only leisure provides satisfaction: work doesn't bring any direct utility. Nonetheless it enables reaching a certain level of income, which makes consumption possible. So the choice between working or not working results only from the income it brings, and from the consumption it makes possible. In this pattern, any income the individual can get without working, favours leisure and the labour supply of this individual is reduced. So, if the level of social benefits (or unemployment insurance) is too high, the individual may, without working, get a higher income compared to the wage he/she can aspire to. In this case the reservation wage of the individual (the wage to which he/she is indifferent regarding working or not) is too high, and the labour supply standard model predicts he/she might fall into an unemployment or inactivity "trap"[a], meaning that he/she has no financial interest to supply his/her work activity.

If we believe in this conception**,** low activity rates, perhaps even unemployment, may be induced by social protection schemes and especially by the very existence of a minimum income. According to these universalistic[4] economic arguments, the problem occurred at the same time and in the same way in most European countries[5]. Exclusion has subsequently grown in European countries to a high rate of long-term unemployment, which leaves more people ending up being excluded from the social protection system based on work (insurance). A good example of this universalistic approach is l'Horty, 2004, who noticed that during the 80s (1986 on average) all European countries implemented a minimum income, as a last safety net to fight poverty and exclusion. L'Horty argues that "in a field which exclusively concerns the decision of each member state and not a directive from European community institutions, it is worth noting how very similar all these disposals are in terms of characteristics" (ibid, p. 2). As most important characteristics, these minimum incomes are means-tested, differential; household centred and paid in cash. They all stem from a universal right, not directly bound to a job-seeking requirement, but eligibility supposes being available to take up a job (unless illness, disability or childrearing prevent this). The main differences between countries lie in the absolute amount of the minimum income, its level compared to the poverty threshold, and the way the amount varies according to the size of the family.

The problem with a means-tested and differential allowance is that the implicit marginal cost of labour is above 100%. Any transition from welfare to work may be difficult if we believe that only financial considerations guide the decision to go to work: especially for people taking up a part-time job, even if there is a minimum wage, the net disposable income may be lower or marginally higher than before the transition. If the minimum wage is not high enough, it can also be true for full-time jobs. So if this economic approach of labour supply is right, an income support recipient will be confined in social protection and a victim of inactivity traps.

"Making work pay" policies lie on this universalistic analysis. European countries need to "*make work pay*", first because of these disincentives to work generated by the social

[4] These arguments don't take into account the specificity of each employment and welfare regimes (see Barbier, 2004).

[5] Even if our purpose now is to deal with the universal approach, we must put the British case apart; the UK belongs to the liberal model according to Esping-Andersen (1990)'s typology. The Beveridgian welfare regime doesn't lie upon insurance but upon welfare and even if the Income Support was created in 1984, different versions of a minimum income have existed since 1948. So it is impossible to tell the same story about the reason for the appearance of work disincentives.

policies. But equality considerations also exist: it is not fair that people reach a certain level of income without working, when at the same time others work for the same income. The new consensus is thus in favour of reforming tax and social policy systems so as to "*make work pay*".

Finally, the underlying idea of these MWP policies is rather simple: the best protection against social exclusion and poverty is employment. On the one hand, the reduction of social protection makes employment increases possible by restoring the work incentives and by reducing labour costs for the firms. On the other hand, increasing employment allows the reduction of the budget for social protection while increasing its sources of financing. It is thus necessary to enter this virtuous circle by increasing the employment rate.

In the variety of "employment and labour market policy regimes" (Schmid and Gazier, 2002), the existence of traps is connected to the relative levels of work-related income (which depend on wages, and especially on the minimum wage level, but also on tax system and working time regime) and out-of-work income (such as unemployment benefits, minimum income, etc.). Even the general approach cannot deny that all these characteristics vary from one country to the other. So even if the diagnostic is the same (*making work pay*), different solutions and political responses are suggested according to the countries' specificities: reforming the rules of different means-tested allowances (housing benefits, child benefits), allowing the retention of a part of the benefit during the beginning of the work activity (*mécanisme d'intéressement),* reducing the share of part-time jobs or increasing the level of minimum income, tax credits…

1.2. The supremacy of the liberal model of employment and social protection?

The consensus described above actually lies upon the Anglo-Saxon ideal-type of employment and social protection, which can be associated to the competing economic model approach of the labour market. In the real world, based on welfare and financed by tax, the Beveridgian system of social protection was indeed conceived to maintain the disconnection between social protection and employment, recommended in the competing model. Let us examine these convergences between this ideal-type and this existing social model.

The ideal model is supposed to be efficient and fair. On one side, a competitive labour market that ensures employment and income, for all people able to work. On the other side, a social protection system centred on welfare, restricted to people unable to work (essentially the disabled or those in retirement). Under these conditions, there should be neither unemployed, nor poor: no one is supposed to stay out of work if one accepts the wage corresponding to his/her marginal productivity. Inactivity can be either a choice (mothers taking care of children, for example), or a necessity for people unable to work. Welfare programs are created for the second category.

Reality is obviously different. On the one hand, in order to reach full employment, an ideal competing labour market supposes such wage and working time flexibility that work itself cannot guarantee an income above the poverty line. One can notice that this working poor problem emerged in the 80s in the United States and the United Kingdom, as the consequence of "re-flexibilisation" schemes of the labour market. Then, the need to "*make work pay*" appears but should only concern these working poor, from a transfer perspective.

On the other hand, the competing labour market is a myth and of course in the Anglo-Saxon countries, unemployment exists and can even reach high levels. So there are unemployed people living on welfare benefits, which were initially conceived for a minority. Thus, the “making work pay” policies seem to be inherent in the dysfunctions of the Anglo-Saxon model of employment and social protection. In this system, while the status of wage-earner becomes, in itself, a low-level status, low wage levels reduce the upper limit of welfare allowances and tax credits become necessary both to increase incentives to work and to fight against labour poverty.

On the contrary, in the “continental” countries (in Esping – Andersen's sense) where social protection is based on the insurance principle, there was always a link between employment and social protection since employment itself permits the access to the social protection rights ("*work to welfare"*; see Barbier, 2002). Minimum incomes did not exist in these countries until the middle of the 80s; moreover, a minimum wage prevailed, which was sufficiently high to prevent the working poor phenomena. So, the two elements at the origin of the traps were missing in these systems.

We have already noticed that in most European countries a minimum income was introduced in the 80s. But this was not sufficient for inactivity traps to appear, because of the relatively high level of the minimum wage. In most European countries, the emergence of the "working poor"[a] phenomenon is recent and correlated to demand side oriented employment policies, fighting against labour market rigidities by reducing the cost of low-skilled workers. In fact, the first part of the consensus on the causes of unemployment described above (labour market rigidities) resulted in importing other employment and social protection models, problems that were initially specific to the liberal model.

The prescription of restoring labour market flexibility has been diffused in countries which have quite different "employment regimes" to the Anglo-Saxon one. In France for example a striking tendency has been the massive intervention on the demand side of the labour market, by a growing use of financial incentives to stimulate employment of low-skilled workers, especially part-time jobs. Consequently the working poor phenomenon appears at the end of the 90s as a by-product of the new prevalence of part-time employment. The so-called employment reference norm has shifted from the level of SMIC (i.e. the minimum wage) to the level of 1/2 SMIC since the end of the 1980s and beginning of the 1990s. The minimum wage level is no more a minimum income guarantee for workers. At that time only, the difference between labour income and means-tested minimum income appeared insufficient to prevent the work disincentive risk. Thus, the emergence of working poor and inactivity traps also appeared in continental countries, in employment and social protection systems, which by nature were supposed to avoid them.

Thus, the recent focusing of European countries on MWP policies is an interesting example for questioning the convergence of employment and social protection systems in Europe. We have already mentioned that the employment rate as the new target of European employment policy testifies to some agreement on supply-oriented policies[6]. As Boyer (2004) argues, we can at least note a sort of hybridization of European employment and social protection systems.

But it is not sufficient to conclude a true convergence; path dependency still maintains

[6] For a discussion on the convergence of French and British employment policies, see Erhel and Zajdela, 2004.

the main differences between countries. Until the reform of 2003, the first pillar of the EES guidelines was employability. But it actually combined different national approaches of employability (see Raveaud, 2004). For example, in the employability guideline of 2002 we find:

Tackling youth unemployment and preventing long-term unemployment.
A more employment-friendly approach: benefits, taxes and training systems.
Developing a policy for active ageing.
Developing skills for the new labour market in the context of lifelong learning.
Active policies to develop job matching and to prevent and combat emerging bottlenecks in the new European labour markets.
Combating discrimination and promoting social inclusion by access to employment.

So, as Raveaud (2004) emphasized, even if the liberal approach of activation based on *"individual employability"* and represented by the *MWP* policy is quite dominant, this guideline also contains different conceptions of activation, based on *"socially shared employability"*.

Moreover, even if we exclusively deal with the restricted liberal notion of activation, the European version of “making work pay” is much more flexible than the workfare one; it also proposes non-financial incentives and insists on the need of job quality (European Commission, 2003a, p.23):

> *Member States should consider non-financial incentives in conjunction with financial incentives. When designing social protection reforms, Member States should also place particular attention on aspects that have proved to be effective incentives to work – in addition to financial incentives – such as the following:*
>
> *(a) the provision of adequate (affordable and high quality) facilities for the care of children and other dependent people, like older and disabled relatives;*
>
> (b) *the quality of work, as determined by such factors as flexible working hours, training opportunities, job security, adequate social protection coverage.*

Indeed, one must admit that surveys and indicators concerning the quality of employment are much less developed than those concerning inactivity traps or working poor.

1-3. Do traps really exist ?

From a historical point of view only briefly sketched here, labour became the source of value in the economic literature of the 18th and early 19th centuries. Nevertheless, work was not yet viewed as a noble task. The income obtained by labour is supposed to be as low as possible. For example for Smith: "A man must always live by his work, and his wages must at least be sufficient to maintain him."

On the contrary, the philosophy of labour developed during the 19th century, considers work as the essence of a human being. For Marx, work is associated with the fundamental nature of a human being who will reach happiness when he/she is able to work in a state of

free production. In this situation, labour is ultimately supposed to become as pleasant as leisure. In the 20th century, the development of social protection based upon employment makes labour necessary not only for itself but for the rights associated to it: it is no longer only a source of income but also a means to access social rights[7].

As the famous sociological survey of Lazarsfeld P., Jahoda M., Zeisel H. (1932) showed, unemployment means much more than the loss of income. Recently, some economists (see Layard, 2005) have also been concerned by the lack of happiness induced by unemployment. In previous lectures, Layard (2003) notices:

> "*This is in marked contrast to the assumptions of many economists who consider the main loss from unemployment to be the loss of income to society as a whole, adjusted downwards for the value of increased leisure. But our analysis shows the huge psychic impact of unemployment on the unemployed person, on top of whatever income the unemployed person loses. That is why low unemployment should be a key goal for any government. It also means that almost any job is better than no job.*" (Lecture 3, p. 5).

This evolution of labour conceptions leads to a very positive vision of work and employment, which is inconsistent with the economic view of labour as a source of disutility. A paradox appears: on one side, a collective conception of work as a source of social integration and self-realization; on the other side, "*making work pay*" policies based upon an economic point of view of labour as a disutility and whose concern is only a financial one.

Indeed, focusing on the marginal tax rates, many studies show that in many European countries, the transitions between welfare and work don't provide a sufficient income to make work pay[8]. But the effective labour supply behaviour of the recipients is perhaps not as simple as the usual economic theory predicts. On the basis of the results of a survey about recipients of the RMI (*Revenu minimum d'insertion*, which is the French minimum income), it is possible to question the empirical relevance of the so-called "activity and unemployment traps" approach according to which the recipients of social assurance suffer financial disincentives to work[9]. The traps don't function very well for recipients of the RMI.

First, recipients who are unemployed are very active in job searching and rarely refuse a job and even more rarely for financial reasons. They are more likely to face a shortage of labour demand. If recipients remain unemployed, it is not because they are unwilling to work: nobody wants to hire them because they are less skilled than other jobseekers and very far away from the labour market. Secondly, about one out of three recipients who have accepted a job, do so with no financial advantage. For most of them, however, employment provides enhanced well-being.

The standard economic approach of labour supply seems to be falsified by the effective behaviour of minimum income recipients: the willingness to work doesn't depend only on financial incentives. Working is important in itself; it constitutes a social integration device, a source of autonomy, rights and well-being. Of course, financial incentives matter. But for people who are dependent on social protection, the main choice is not between work and leisure, but between dependency and social integration.

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[7] For more details, see Méda , 2004.

[8] See for example De Lathouver , 2003 for Belgium and Eyssartier and Paillaud ,1998 for France.

[9] For more details, see Guillemot, Pétour and Zajdela, 2002.

In order to explain these effective behaviours, one can reject the traditional economic approach of labour supply when we deal with social security recipients, and then invoke sociological approaches of work decisions, based upon the search for social integration and the value of work (see Benarrosh, 2003).

If we prefer to stay within an economic perspective, one can try to modify the usual model of labour supply. The main problem with the standard model is that it considers leisure as the same "good" for everybody, either working or not. Leisure is residual, just defined as the non-working time. Leisure is supposed to provide utility but its definition is only the difference between available time and working time. When one is out of work, and feels excluded and stigmatized, the non-working time becomes infinite and is not a source of satisfaction. This "leisure" is clearly different from the leisure of a working person, and the willingness to work cannot depend on the same choice. Pucci and Zajdela (2006) proposed building a leisure/income model with two kinds of leisure: the first one is an inferior good whose cost is only an opportunity cost; the second is real leisure (for example cultural, sportive or artistic activities) which is a normal good, a substitute for the former, but whose cost is higher. They also introduce a minimum level of consumption, which is particularly necessary when one analyses the labour supply of minimum income recipients, whose income is below the poverty threshold level.

In such a model of labour supply, inactivity traps disappear because the labour supply of minimum income recipients becomes inelastic to wages. Of course, the standard approach remains relevant when people are already in work. So a policy, like a low income oriented tax-credit, which aims at fighting inactivity traps, is not relevant if this sort of trap does not occur. Even more, it may increase poverty traps. Then, the risk for minimum income recipients is more that of falling into poverty trap than into an inactivity trap. Indeed, they most often have "poor quality jobs" and remain confined to a secondary sector, with a very low probability of migration towards a primary sector composed of "high quality jobs".

1-4. The diversity of collective preferences regarding work

Contrary to the universalistic approach, each country shows specificities regarding its conception of work, assistance and inactivity. The consensus about "making work pay" policies hides many different justifications. We have already noticed that the general view allows each country to solve the problem in different ways. But it is not sure that the identified core problems are the same. Is it poverty? Is it the increasing number of individuals living on welfare? Is it inactivity? Is it the working poor phenomenon? Is it ethics or equality considerations?

Because "making work pay" policies aim at providing work incentives, we must first suppose that the main problem is inactivity. But even this is not so simple because inactivity is allowed by national long term policies, and may be extended, organized and subsidised in certain cases such as women with children. The same "deactivating" tendency may be witnessed for education, retirement and disability situations. These policies of work exemption have intrinsic justifications linked to a wider and inter-temporal conception of work (domestic work / future work in the case of training / past work in the case of retirement / incapacity to work in the case of disability allowance)

We can also imagine that the main objective is to avoid huge welfare programmes, even if this generates working poor, who will then need specific transfers (which are another type of welfare). More precisely, welfare should be avoided for inactive people but can be set for in-work people. This is the "workfare" approach: the social benefit recipient is a dependent person responsible for his situation except as regards disabled people. Finally, one has to distinguish among recipients, in an old-fashioned manner, between deserving and non-deserving poor on the basis of their ability to work.

The main objective may also be to fight against exclusion, which supposes a different vision of poverty than the one that consists of fighting against dependency. Society as a whole is responsible in the first case; the individual is guilty in the second case. In European countries where a high level of unemployment persists, activation is not so easy. The French word insertion is more relevant because integration may take a social form instead of a professional form. As we have seen, the risk with extensive activation programs in a context of high unemployment is to convert out-of-work poor into working poor.

Furthermore, the dearth of job opportunities in European countries leads to a complex combination of activation and "deactivation" policies. In fact, besides intrinsic justifications of inactivity we find extrinsic justifications to increase the number of individuals concerned by work exemption (in each category already mentioned: mothers, young or middle-aged people, the disabled). Retirement is deserved and justified by past work; but large-scale early retirement programs are only justified by the difficult situation of seniors on the labour market. In the same way, though European countries are supposed to increase the female activity rate, some policies tend on the contrary to discourage some employed mothers: in France for example, the young child benefit, *Allocation Parentale d'Education (APE)* has decreased the work participation rate of mothers and the new reform (*Prestation d'Accueil du Jeune Enfant, PAJE*) will extend the work exemption to mothers with only one child. Lastly, even for disabled people, the frontier is a shifting one: in most of the Nordic European countries, the size of the programmes dealing with this category is considerable compared to the southern European countries, and this is now arousing public concern. So the ability to work is a very variable notion and its extent depends on the priority the country puts on "activation" or "deactivation" programs.

Finally, though the general approach seems to provide a unique framework to conceive it, the European conception of "making work pay" lies on a broad variety of justifications as it is illustrated by this recent prescription set by the European Union:

> *"Members states will reform financial incentives with a view to making work attractive and encouraging men and women to seek, take up and remain in work. In this context, Member States should develop appropriate policies with a view to reducing the number of working poor. They will review and, where appropriate, reform tax and benefit systems and their interaction with a view to eliminating unemployment, poverty and inactivity traps, and encouraging the participation of women, low skilled workers, older workers, people with disabilities and those furthest from the labour market in employment". (*European Commission 2003b, p. 1*).*

We can sum up the outcome of this section in two points.

1) We showed that, despite the standard and narrowly economic conception, the collective preferences regarding work could be presented as a set of very different options: present, explicit or latent in a given society. Besides the classical perception of work as "disutility", work can be considered as a "merit want", either by itself (occupational therapy) or as a moral duty (instantaneous forced reciprocity); it can also be considered as a want, leading to self-realization or an integrated society made of autonomous citizens.

2) The other side of the coin is at least as different: policies discouraging paid work may concern a wide array of situations. Paid work exemptions depend on the existence of past / future / unpaid work contributions or on the impossibility of work. While the justification for work exemption may be intrinsic, it could also depend on the labour market situation and on other social choices. It stems from this analysis that the pressures towards paid work or away from it depend on the more or less heterogeneous set of dominant political – moral values of a community, and on its labour market situation.

Section 2. "Making work pay policies": assessing and understanding their persisting heterogeneity

If "making work pay" policies do rely on a variety of justifications, as well as "deactivating" (work exemption) policies, they should lead to very different sets of targets and implementations. In this section we shall try to connect some selected examples of policy heterogeneity in Europe to the underlying values choices, taking into account contextual elements and actors' interplay. Our basic tenet here is the following: the elementary distinctions set above underpin highly differentiated political agendas: the insistence on work as a moral duty being typical of market-oriented regimes, while work as a social reintegration need being close to more interventionist social-democratic regimes. But this intuition needs to be confirmed and refined. How do the actors develop specific perceptions of local situations, do they construct patterned and possibly evolving responses promoting their own values sets?

We start by briefly recalling the international heterogeneity regarding "workfare" and connecting it to long-term political choices and basic national institutions (2-1). Then we focus on intra-national heterogeneity of activation policies (in Switzerland and France) (2-2). Lastly, we put in the forefront an emerging enlarged conception of work, insisting on the dynamic dimension and reformulating the debate in terms of "transitions" (2-3).

2. 1. "Activation": the European diversity

About this point we do not need to present long developments, because we rely on Barbier's analyses (Barbier, 2004, see also the reference list given in this paper). We share

with him the methodological concern about the scope of any “activation” policy analysis, which must consider a wide set of domains and institutions and not confine itself to labour market policies. The discussion entails the complete social protection system because the key questions are about work participation, solidarity, rewards and incentives in every stage of life.

According to Barbier, “Making work pay” strategies belong to a general “activation” trend, showing a common tendency towards a “redesigning or sometimes even an overhaul of the social protection system”…“enhancing the various social functions of "paid work" and labour force participation, an individual behaviour which has been increasingly compulsory in certain national cases.” (ibid, p. 6). We agree with Barbier's contention that there is no substantive convergence here in Europe, because the changes take place in very different social protection regimes. He distinguishes between two “ideal types” of activation strategies: In the first case, activation involves the increase of the market-regulated relations (the “recommodification” process), together with efforts to reduce social expenditure; in the second one, some “recommodification” may occur, but the role of the market remains not so important, and social policy is not systematically submitted to work requirements. A key difference between both types is the role devoted, in the first type, to the state as a last resort employer, indicating that the state keeps a social responsibility regarding the quality and number of available jobs. Such an ideal-type is typical of the Nordic nations, while the liberal type describes the orientation taken by the USA and UK.

Barbier briefly considers a third ideal-type, somehow mixed and intermediate between the preceding types, and unstable according to periods. It could characterize countries like France and Germany. But, as he puts it: “So far, no clear third ideal-type has emerged” (ibid, p. 8). Our preceding developments suggest that the coexistence of different values and orientations, embedded into different institutions and compromises between actors, may well explain these complex and unstable situations, which could be more or less apparent according to the intensity of labour market constraints and to local configurations. In order to check this, we will examine two careful analyses of intra-national differences in activation strategies.

2. 2. Local activation: between multiple objectives and contingency

2.2. a. Activation according to various Swiss “policy styles”

Regarding intra-national heterogeneity, a remarkable example is Switzerland (Battaglini and Giraud, 2003). The reason is twofold: the federal nature of this country makes possible and persistent a wide variety of local arrangements: cultural and political options strongly differ among “cantons”. And second, in 1995 a new federal law on unemployment insurance (LACI) was enacted, an “activating” one, to be implemented at the local level. The

content of the law was two-sided. On one hand, the law developed a number of "active" labour market programmes, aimed at supporting the reintegration of the unemployed (training and placement). On the other hand, the law enacted control measures designed to prevent "abuses" of unemployment benefits.

From our point of view, this is very close to a "natural experiment" situation, because the law was (deliberately?) ambiguous regarding the attitude towards work and towards the unemployed, and the implementation was left to local authorities. They could either intensively implement both aspects of the law, or only one of them, or remain rather minimalist on both sides. Battaglini and Giraud coined four terms for each option: the cantons could be either "maximalist", or "minimalist", or practice "partial implementation": either "reintegration-oriented partial implementation" if they limit themselves to implementing the first part of the law, or "control-oriented partial implementation" if they focus on the second part. So wide room was open to witness different policy styles and behaviours, and to connect them with local situations and/or underlying values.

They identified four indicators that enabled classifying the cantons in the above typology. Three of them concern the "reintegration" side: (i) a measure of the so-called "ALMP logistics", capturing the degree of development and sophistication of the labour market policies regarding assessment and training, (ii) the existence of facultative experimental programmes, and (iii) a measure of the intensification effort demanded by each canton in the domain. The last indicator bears on control, and introduces the number of income reduction penalties imposed on the unemployed when they refuse a job deemed "suitable" by the employment agency.

Using these indicators, the authors identified "pure" cases, with all relevant indicators over or under mean: the "maximalist" one with all indicators over mean, the minimalist with all under mean, and the "partial implementation" cases with the relevant indicators over mean and the other under mean. They found that most of the cantons fit exactly one of the four modes of the typology, the others remaining in some intermediate position. Then the question becomes how to explain these differences? Their first line of argumentation is quantitative, and compares logit regression coefficients computed for a long-term indicator of public interventionism (cantonal and communal per capita spending in public employment expenditure, 1968 – 1998) - the comparison yardstick being the "minimalist" configuration.

In order to take into account local contingencies, the authors introduced into the model two other variables: the rate of urbanisation, and an indicator of financial capacity. The result was clear: they found a significant correlation between the intensity of public employment expenditure and the probability of belonging either to the "reintegration-oriented partial implementation" or the "maximalist" case; a high level of public employment expenditure making most probable the "partial reintegration" option; and no correlation with the other variables. So the key aspect is not the ability to pay nor the urbanisation, but a long-lasting tradition of public intervention. However, it appeared that the "minimalist" cantons, which were only two, were characterized by a very low unemployment rate, which suggests,

of course, the influence of the context (state of the labour market).

In order to refine this result, they turned to qualitative analysis based upon six case studies, and looked at "cantonal policy styles", defined by three elements: the scope and style of state intervention, the actors' coordination, and the basic political values. The qualitative information stemmed from a set of interviews of the most relevant political, administrative, corporative and associative actors (15 – 20 interviews for each case studies), and from in-depth analysis of electoral results. The main opposition, which appeared, was between the French and Italian speaking cantons, and the German speaking cantons. In the first cases, a strong Trade Union influence went together with clear public intervention, and a strong representation of the socialist party and / or the Christian Democracy. These Latin cantons belonged to the group of partial implementation oriented towards reintegration. The maximalist implementation group was strictly German speaking and belonged to the north of the country. There, the unions were not so influential, and the political opinions were moderate, to the left as well as to the right. Lastly, the "control oriented partial implementation" cantons appeared to be German speaking and strongly influenced by conservative political parties. The Christian Democratic party that dominate here differ from the equivalent parties in other places. It is not oriented towards social goals or state intervention. Due to weak industrialization, unions are almost non-existent. All these elements converge in a conservative political style, favouring a high degree of control of jobseekers and neglecting active reinsertion.

2.2.b. The French "local insertion regimes"

Our second example of intra-national heterogeneity is the French "Revenu minimum d'insertion" (RMI) as it has been recently analysed in terms of "local integration regimes" (Bouchoux et al., 2004). Here again the starting point is a national law (1988 for the RMI) allowing wide room for manoeuvre regarding implementation of back-to-work efforts. The social policy problem here is somehow different: it is persistent poverty. But beyond poor families and children, the overlapping of long lasting unemployment and poverty is large, and an important proportion of RMI recipients are close to the labour market. During the year 1995, 40% of recipients had some professional activity ("insertion activity", probation period), so at the end of this year, 40% of these were engaged in an exit process and did not receive the minimum income (Bouchoux et al., op.cit, p. 8). Another interesting point of the RMI law is that income help is tied to an "insertion contract" to be bargained and signed by the recipient and the representative of the public bodies. This contract sets reciprocal engagements and builds a reintegration pathway. However, the procedure leading to the contract is quite demanding, and very often the contract elaboration is delayed or abandoned.

In their study, Bouchoux et al used the "local justice" framework as presented by Jon Elster (Elster, 1992). The main idea is that the allocation of non-monetary scarce goods (or necessary burdens) by local "allocative officers" (i.e. agents responsible of public spending in domains such as health, education…) depends on a wide set of different and competing

justifications and values. The choice of the beneficiary will be the outcome of possible coalitions and convergences among the concerned groups ("allocative officers", possible beneficiaries, the public opinion…). Bouchoux et al extended the framework to the RMI decisions, because their interest focuses on the complete device: the reintegration actions completing the minimum income. They identified three main justifications regarding RMI and its possible reintegration efforts: need, efficiency, and reward. When one focuses on the consequences regarding work in a context of job shortage, the justifications and priorities seem to change. Considering needs leads to a mix of cash assistance and possibly occupational therapy, efficiency leads to sending back to private jobs the most directly employable recipients, while reward leads to organizing some form of compulsory work or pressures towards accepting low-paid jobs.

As it is well known, the RMI functions as the third tier of the French unemployment insurance: the first being the classical insurance depending on previous contributions, the second being the state funded income assistance for some targeted unemployed. Taken together, the two first layers cover no more than 60 % of the unemployed. The RMI does not cover the totality of the non-covered population, but only the poorest of its adult part. Typically, many young jobseekers remain excluded from RMI, which excludes people under 25 years, unless they belong to a poor family (the poor family being the recipient). The study connects in a precise way the various uses of RMI to three deficiencies of unemployment insurance, depending in turn on the kind of transitions the beneficiaries are engaged in: when the past work history of recipients is real but weak, and they did not accumulate sufficient rights to unemployment insurance, then RMI is used as a complementary device. When they have exhausted every social right, then the RMI acts as a relay institution. And last, when they were not eligible at all to any unemployment benefit, then the RMI becomes a substitute for this benefit.

With these conceptual elements in mind, it is possible to identify three components of any local implementation of RMI, conceived as a bundle: monetary allowance + related rights + insertion contract. RMI may be first a subsistence income, for people far away from the labour market, second an unemployment allowance, along the lines presented above, and third a (hopefully) temporary wage complement, when recipients find some work and are engaged in an exit process. The combination of these three components, in different proportions, defines the "local insertion regimes", addressing the needs of inactive poor, unemployed poor and working poor.

Bouchoux et al selected five "départements" (Essonne, Ille et Vilaine, Puy de Dôme, Saône et Loire, Yvelines), and combined detailed statistical analysis of recipients trajectories (persons present on the RMI rolls in February 2000) with contextual analysis (the local situation of employment and unemployment, and administrative information about the integration effort in each "département").

They identified huge differences in the proportion of subsistence income recipients:

from 40 - 45 % in the Parisian “départements” to 18 – 27 % in the three non-Parisian ones. Symmetrically, the proportion of households receiving RMI as a wage complement or an unemployment allowance varied from 55 % in Essonne to 82 % in Ille et Vilaine. These differences cannot be explained by pure demographic – family considerations, nor by the various local labour market situations. The authors observe that an increase in the number of unsigned “insertion contracts” is associated with an increase in the number of people benefiting from a “subsistence income” version of RMI. So the diversity of the concerned population meets the diversity of local intervention.

Focusing on the relevant, narrower local unit: the CLI, commission locale d'insertion10, Bouchoux et al found in the most active of them a proportion of 72 % of recipients having signed an “insertion contract”, the figure becoming 30 % for the less engaged ones (ibid, p. 136). Combining variables describing the economic context, the intensity of active efforts and the dominant sector in which jobs are looked for: either private enterprises or non-profit organizations, they identified three “local insertion regimes”. The “régime économico-marchand” corresponds to a favourable economic context and a weak mobilization of actors, and is represented here by the CLI from Essonne. At the opposite end, the “régime socio-institutionnel” combines an unfavourable economic situation with sustained mobilization of actors. The social workers make an intensive use of non-market jobs in associations or public bodies. As an intermediate case, the “régime économico-marchand avec intermédiation” combines a favourable labour market situation with a strong mobilization of actors (notably in Ille et Vilaine).

Such differences remain to be interpreted in detail, but it is worth remarking that Ille et Vilaine has a long tradition of social intervention towards reintegration, while Essonne, in the Parisian region, lacked such a tradition, relied more on the private labour market opportunities and made little effort at reintegration. If we get back to the elementary identification of priorities connected to RMI - need, efficiency and reward - we can observe that they are combined in a quite different way by the CLI, according to the context and the local interplay of actors.

2.3. From work to working life transitions: managing the lifecycle implications of work norms

Our “local” examples show that the variety of “activating” behaviours has to be connected to the prevailing context as well as to the patterns of values underlying the dominating actors' interplay. In order to improve our understanding of this complexity, it is useful to go back to our “core problems” as identified in subsection 1.4. We evoked the inter-temporal conception of work, introducing domestic work, future work (training), past work (retirement)… The example of the risk of “compressed work career” as presented by G. Schmid (2006) shows that it is not an abstract view: in present European labour markets,

[10] Created by the 1988 RMI law, the Commissions locales d'insertion are local coordination and decision devices, putting together a variety of actors (most of them belonging to local administration) devising and implementing the individual treatment of RMI recipients.

young women (say age between 20 and 35) may face the challenge of having to fulfil simultaneously five roles: to acquire a good education, to look for a suitable job, to plan a sustainable career, to select a suitable partner and to set up a family (with adequate housing and furnishing). He presents this risk as one of the new “social risks” emerging in our societies. This suggests that the time has come to adopt an enlarged conception of work, which seems more and more relevant today even if it remains implicit. Work needs more and more work on oneself (training, orientation). Paid work takes place within a professional career set of sequences, itself combined with a personal and domestic career. This time and reflexive dimension connects paid work to a broader set of activity tasks and stakes, about which the problems and techniques of risk and insurance become relevant.

In such a view the instantaneous exchange of work and wage, or the immediate reciprocity between welfare benefits and specified (controlled) activity behaviour become but one option among many others, and often not the best suited. A way of discussing this enlargement is to analyse the professional, domestic and personal career of a given individual as a series of sequences which may be called “transitions”. Then the perspective may keep paid work as a central mid-term objective, and however help to re-formulate and enrich some of the conflict of objectives seen above. A series of successful and socially accepted transitions should have the following traits. Either this transition is a paid work period. Then it should not only bring a socially accepted level of income, but also an increase or at least the maintenance of the worker's competences, either through work experience or through formal training. Or the transition is dedicated to socially useful tasks, which may comprise domestic work but also militant and voluntary work and periods of “self-discovery”, partly or totally financed by the community. Here again the transition should in the end either maintain, or restore the competences and employability of the individual in question .

Taken seriously, the introduction of these concerns suggests that paid work autonomy supposes simultaneously the increase and the effective use of individual competences, which implies two consequences. First, in determining which transitions are available to a given age group or for workers with a given work experience, policymakers should adopt a sequential approach (the possible transitions sets may also vary according to the macro context) in order to cope with the management of the borderline between paid work and other activities, with its moral hazard problems; second, such a policy requires the maintenance and increase of collective competences, safeguarding or improving the place of a given group or community within the national and international division of labour.

So the debate between different ways of “activating” could be reconsidered, not merely completed, according to the motto “making transitions pay”. Some communities may indeed prefer more market-oriented transitions while others may engage in more solidarity in terms of management of work and competences. This motto does not exclude by itself one of these options, while obviously being more in line with the second. It underlines the misleading potential of activity or employment rates as indicators of good management of work, and puts into the forefront mid-term and long-term implications and requirements of social preferences regarding work.

Conclusion

Our starting point was to discuss the relevance of “making work pay” policies from within. The classical organization of arguments behind the “making work pay” motto can be compared to an hourglass, the diversity of national institutions regarding work and social protection being one of its wide top ends. Then the central problem is identified: a work incentive in a context of social protection deficits and persisting unemployment problems and this is the narrow part of the hourglass. Last, the variety of national or even local situations lead to a variety of implementations, and we find then the other wide end of the hourglass. This contribution has tried to show that this model is not relevant, on theoretical as well as on empirical grounds. We presented some traits of a more accurate model. It does not obey such a unifying reasoning, but corresponds to a more complex logic: the varieties in national institutions, situations and implementations being matched by a set of different and sometimes conflicting objectives regarding work. Finally our hourglass has obtained a thick waist, or has even become a cylinder!

This opens two lines for further elaboration.

The first is mainly ethical-political and seeks to deepen the problems raised by the classical justifications of “making work pay”. Two of them are salient. A first problem is that in our societies the minimum income is traditionally fixed around the poverty level. If individuals living on welfare benefits have no financial incentive to work, that means that in-work individuals don't get more than poverty level income. One can wonder if it is fair that people have to work for a level of income, which is considered by society as the poverty threshold. Is it so bad that the welfare system allows people to refuse bad jobs? Second, we showed that the motto “making work pay” concerns essentially the so-called incentive to work problem for income support recipients. But one could imagine that society wants to make work pay by itself, independently of any income support programs. Then the question becomes how to raise the wage level and also how to introduce some social control over work conditions and careers.

This leads to a second set of further questioning. We found that the two mottos “making work pay” and “making transitions pays” are better conceived as substitutes and probably alternative bases for social and employment policies. Then, what, if any, is the employment norm stemming from the transitional point of view? The Transitional Labour Market approach focuses on the process by which people could be empowered and collectively decide the size and content of the “activating” and “deactivating” policies. Then it would be necessary to give another content to the target of autonomy. It should be connected in a more modulated way to sequences of work and training and other activities periods. It could not be appreciated as a simple working position at a given moment in time, and may correspond to a dynamic, lifecycle or mid-term (say: ten years?) approach of a professional and personal career. This may converge with the emerging concern about the quality of jobs and transitions shown by the European Community.

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